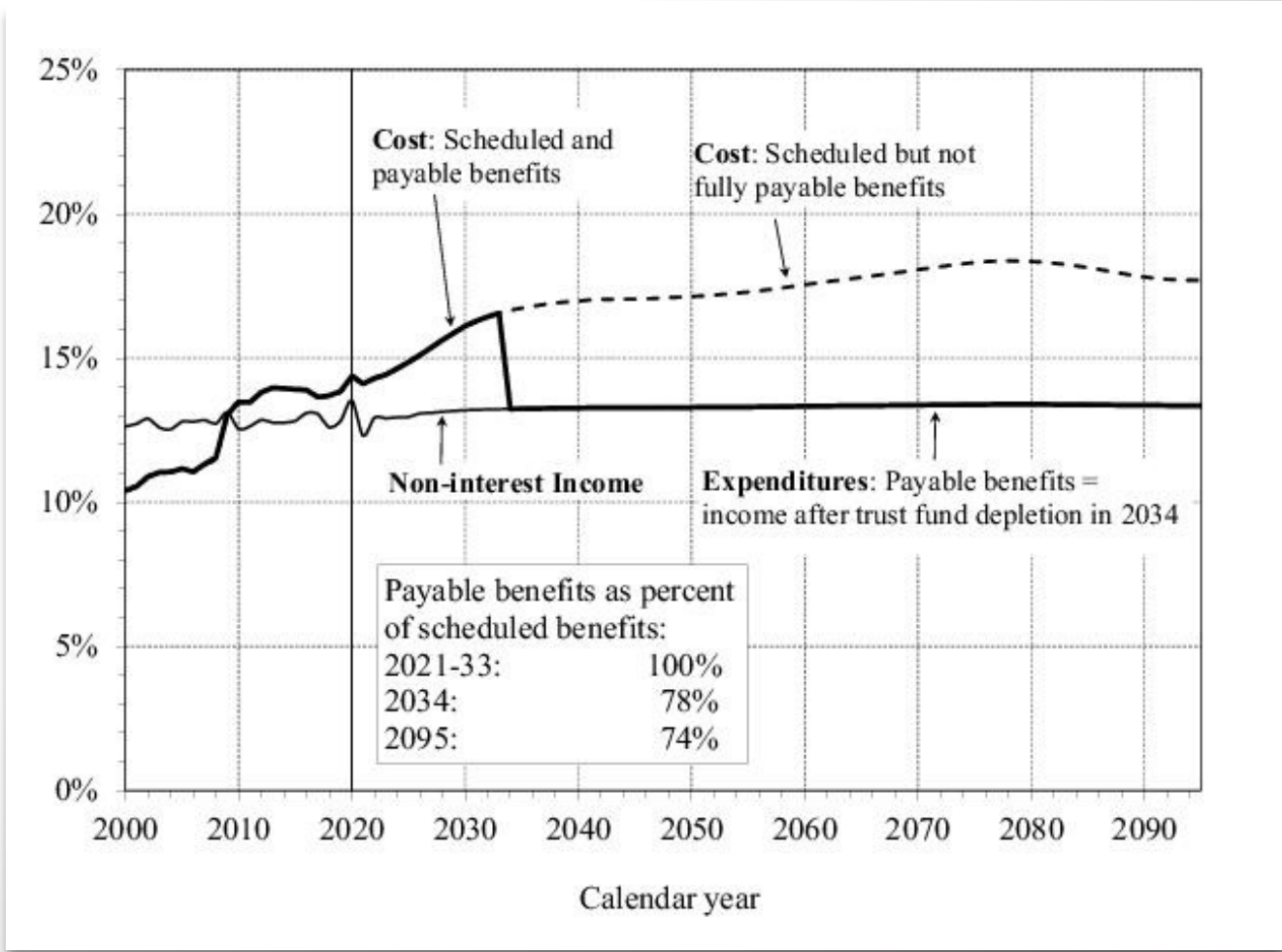


Social Security Old Age and Survivors Insurance

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2021 Trustees Report Projections



Reform Options are Straightforward

- Social Security finances depend on (1) payroll tax rate * average wage (2) average benefit level, and (3) dependency ratio (beneficiaries / workers).
- Large changes to dependency ratio and average wage are difficult.
- To bring system into balance, either benefits must fall, or taxes must increase.
- Shortfall should be addressed sooner rather than later and will require political compromise.

Financing Social Security from General Revenue Does Not Avoid Hard Questions

- Moving to general revenue financing of Social Security can allow debt financing of benefits without raising payroll tax.
- Given unsustainable path of overall federal budget, this option does not allow us to avoid difficult questions.
 - Debt is projected to reach >200% of GDP by 2051 (CBO 2021).
 - Unprecedented levels of debt impose burdens on future generations and increase risk of financial crisis.

Social Security's Role in Retirement Security

- Social Security accounts for more than....
 - 50% of income for ~40% of people aged 65+
 - 90% of income for ~14% of people aged 65+
- Social Security retired worker benefits can be claimed at any age between 62 and 70, with an actuarial adjustment made for delayed claiming.
- Many people can increase the lifetime value of their benefits through delay (tens of thousands of dollars).
 - Increased stakes due to lower mortality, rule changes, and low interest rates.
 - Especially true for couples as higher benefit can be passed on to survivor.